



HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hamilton Fire Department	County Allegan
Audit Date December 31, 2004	Opinion Date March 5, 2005	Date Accountant Report Submitted to State: June 9, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

March 5, 2005

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Fire Department, Allegan County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamilton Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hamilton Fire Department, Allegan County, Michigan as of December 31, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

This section of the Hamilton Fire Department's annual financial report presents our discussion and analysis of the fire departments financial performance during the fiscal year ended December 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Total assets at December 31, 2004, totaled \$468,658.29 for governmental activities. Of this total, approximately \$369,124.81 represents capital assets net of depreciation.

Overall revenues were \$219,336.25.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Department.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the fire department's governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the fire department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the fire department are reported as governmental activities.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the fire department's funds, focusing on significant (major) funds not the department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The fire department has the following types of funds:

Governmental Funds: All of the fire department's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the fire department's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT AS A WHOLE

Net Assets: The fire departments combined net assets decreased by \$9,886.95 during the year ended December 31, 2004, totaling \$83,385.44.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT'S FUNDS

General Fund: This fund is used to record all activities of the fire department not to be recorded in a separate fund. The major source of revenue for the general fund is from local entities. The major expenses for this fiscal year include the addition of a fire truck.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Department's governmental activities invested \$153,430.71 in capital assets.

The Fire Department obtained long-term debt loan proceeds in the amount of \$153,430.71.

The Fire Department paid \$25,060.69 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The fire department plans for the future include replacing existing equipment as it wears out. Plans are in the discussion stage.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the fire department's finances and to demonstrate the fire departments accountability for the revenues it receives. If you have any questions concerning this report, please contact the fire department Chief, Assistant Chief, or Secretary-Treasurer by calling 269-751-2403 during the hours of 8:00 AM to 5:00 PM.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>99 533 48</u>
Total Current Assets	<u>99 533 48</u>
NONCURRENT ASSETS:	
Capital Assets	627 552 55
Less: Accumulated Depreciation	<u>(258 427 74)</u>
Total Noncurrent Assets	<u>369 124 81</u>
TOTAL ASSETS	<u><u>468 658 29</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other units	<u>84 675 50</u>
Total Current Liabilities	<u>84 675 50</u>
NONCURRENT LIABILITIES:	
Notes payable	<u>300 597 35</u>
Total Noncurrent Liabilities	<u>300 597 35</u>
Total Liabilities	<u>385 272 85</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	68 527 46
Unrestricted	<u>14 857 98</u>
Total Net Assets	<u>83 385 44</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>468 658 29</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS		<u>Charges for Services</u>	
Governmental Activities:			
Public safety	220 242 94	209 979 18	(10 263 76)
Interest on long-term debt	<u>8 980 26</u>	<u>-</u>	<u>(8 980 26)</u>
Total Governmental Activities	<u><u>229 223 20</u></u>	<u><u>209 979 18</u></u>	<u><u>(19 244 02)</u></u>
General Revenues:			
Interest			168 23
Miscellaneous			<u>9 188 84</u>
Total General Revenues			<u>9 357 07</u>
Change in net assets			(9 886 95)
Net assets, beginning of year			<u>93 272 39</u>
Net Assets, End of Year			<u><u>83 385 44</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2004

	Total (General)
<u>Assets</u>	
Cash in bank	99 533 48
Total Assets	<u>99 533 48</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Due to other units	
Total liabilities	<u>84 675 50</u>
Fund equity:	
Unreserved:	
Undesignated	
Total fund equity	<u>14 857 98</u>
Total Liabilities and Fund Equity	<u>99 533 48</u>

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
December 31, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	14 857 98
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	627 552 55
Accumulated depreciation	(258 427 74)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(300 597 35)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>83 385 44</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year ended December 31, 2004

	<u>Total (General)</u>
Revenues:	
Fire protection fees	209 979 18
Interest	168 23
Miscellaneous	<u>9 188 84</u>
Total revenues	<u>219 336 25</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages	101 318 00
Payroll taxes	7 750 50
Insurance	16 641 73
Audit	1 500 00
Legal	832 72
Contracted services	2 317 00
Repairs and maintenance	22 342 38
Vehicle gas and oil	1 751 95
Supplies	16 525 46
Education and training	2 670 72
Telephone	1 203 60
Utilities	6 591 32
Miscellaneous	3 849 92
Capital outlay	153 430 71
Debt service	<u>34 040 95</u>
Total expenditures	<u>372 766 96</u>
Excess (deficiency) of revenues over expenditures	<u>(153 430 71)</u>
Other financing sources (uses):	
Loan proceeds	<u>153 430 71</u>
Total other financing sources (uses)	<u>153 430 71</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-
Fund balance, January 1	<u>14 857 98</u>
Fund Balance, December 31	<u><u>14 857 98</u></u>

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND -

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense
Capital Outlay

(34 947 64)
153 430 71

Receipt of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets

Principal receipts on long-term debt

(153 430 71)

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt

25 060 69

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(9 886 95)

The accompanying notes are an integral part of these financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Hamilton Fire Department, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Department contain all the Fire Department funds that are controlled by or dependent on the Fire Department's executive or legislative branches.

The Fire Department was organized in 1994 and includes the Townships of Heath, Manilus and Fillmore. The Department is governed by a Board consisting of nine members. The Fire Department provides fire protection services to the local units and is considered a separate reporting entity.

The reporting entity is the Hamilton Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Department which pertain to maintaining and operating the Fire Department. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles	20 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Post-employment Benefits

The Fire Department provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective January 1, 2004, the Fire Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Fire Department's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Fire Department's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Fire Department's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$369,124.81.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 2 – Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated one bank for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>99 533 48</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	95 486 12
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>95 486 12</u>

The Fire Department did not have any investments as of December 31, 2004.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 4 – Capital Assets

Capital asset activity of the Fire Department's Governmental activities for the current year was as follows:

	Balance 1/1/04	Additions	Deletions	Balance 12/31/04
<u>Governmental Activities:</u>				
Equipment	474 121 84	153 430 71	-	627 552 55
Total	474 121 84	153 430 71	-	627 552 55
Accumulated Depreciation	(223 480 10)	(34 947 64)	-	(258 427 74)
Net Capital Assets	<u>250 641 74</u>	<u>118 483 07</u>	<u>-</u>	<u>369 124 81</u>

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 1/1/04	Additions	Deductions	Balance 12/31/04
Note payable – bank – 1999	88 225 23	-	13 060 39	75 164 84
Note payable – bank – 2000	84 002 10	-	12 000 30	72 001 80
Note payable – bank – 2004	-	153 430 71	-	153 430 71
Total	<u>172 227 33</u>	<u>153 430 71</u>	<u>25 060 69</u>	<u>300 597 35</u>

Note 6 – Note Payable – Bank – 1999

On April 21, 1999, the Fire Department obtained a loan from Monroe Bank and Trust in the amount of \$134,893.84 for the purpose of funding the acquisition of a new rescue vehicle. The note requires ten annual payments of \$17,154.81 including interest at the rate of 4.56% per annum. As of December 31, 2004, the principal balance outstanding on the note was \$75,164.84.

Note 7 – Note Payable – Bank – 2000

On October 9, 2000, the Fire Department obtained a loan from Monroe Bank and Trust in the amount of \$120,003.00 for the purpose of funding the acquisition of a new fire truck. The note requires ten annual payments of \$12,000.30 including interest at the rate of 5.75% per annum. As of December 31, 2004, the principal balance outstanding on the note was \$72,001.80.

Note 8 – Note Payable – Bank – 2004

On April 9, 2004, the Fire Department obtained a loan from Huntington Bank in the amount of \$153,430.71 for the purpose of funding the acquisition of a new fire truck. The note requires five annual payments of \$19,893.02 including interest at the rate of 4.95% per annum plus a balloon payment of \$105,916.98. As of December 31, 2004, the principal balance outstanding on the note was \$153,430.71.

Note 9 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 10 – Pension Plan

The Fire Department does not have a pension plan.

Note 11 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Fire protection fees	210 045 00	210 045 00	209 979 18	(65 82)
Debt service fees	35 000 00	35 000 00	-	(35 000 00)
Interest	400 00	400 00	168 23	(231 77)
Miscellaneous	1 775 00	1 775 00	9 188 84	7 413 84
Total revenues	247 220 00	247 220 00	219 336 25	(27 883 75)
Expenditures:				
Public safety:				
Fire protection:				
Wages	104 850 00	104 850 00	101 318 00	(3 532 00)
Payroll taxes	21 600 00	21 600 00	7 750 50	(13 849 50)
Insurance	7 000 00	17 000 00	16 641 73	(358 27)
Audit	1 500 00	1 500 00	1 500 00	-
Legal	5 000 00	5 000 00	832 72	(4 167 28)
Contracted services	4 500 00	4 500 00	2 317 00	(2 183 00)
Repairs and maintenance	24 000 00	24 000 00	22 342 38	(1 657 62)
Vehicle gas and oil	1 450 00	1 800 00	1 751 95	(48 05)
Supplies	3 150 00	17 000 00	16 525 46	(474 54)
Education and training	7 000 00	7 000 00	2 670 72	(4 329 28)
Telephone	1 520 00	1 540 00	1 203 60	(336 40)
Utilities	7 000 00	7 000 00	6 591 32	(408 68)
Miscellaneous	4 950 00	5 050 00	3 849 92	(1 200 08)
Capital outlay	18 700 00	159 350 00	153 430 71	(5 919 29)
Debt service	35 000 00	35 000 00	34 040 95	(959 05)
Total expenditures	247 220 00	412 190 00	372 766 96	(39 423 04)
Excess (deficiency) of revenues over expenditures	-	(164 970 00)	(153 430 71)	11 539 29
Other financing sources (uses):				
Loan proceeds	-	154 000 00	153 430 71	(569 29)
Total other financing sources (uses)	-	154 000 00	153 430 71	(569 29)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(10 970 00)	-	10 970 00
Fund balance, January 1	-	10 970 00	14 857 98	3 887 98
Fund Balance, December 31	-	-	14 857 98	14 857 98

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 5, 2005

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

We have audited the financial statements of the Hamilton Fire Department for the year ended December 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Hamilton Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended December 31, 2004. The implementation of this pronouncement for the Hamilton Fire Department began with the year ended December 31, 2004. The daily operations and recording transactions did not change significantly, however, the Fire Department is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated December 31, 2004.

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants